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#### ARTICLES:

- (1) Takeovers of Japanese companies by foreign companies: Types of business subject to notification to be increased; METI plans measure to prevent conversion of civilian goods into military usage

NIHON KEIZAI (Top Play) (Almost Full)  
December 19, 2006

Regarding takeovers of Japanese companies by foreign companies, the Ministry of Economy, Trade and Industry (METI) has started looking into the possibility of expanding types of business subject to the system requiring notification to the government. The envisaged measure is based on the Foreign Exchange and Foreign Trade Control

Law intended to prevent the outflow of key technologies that could be used for military purposes or terrorist attacks. METI intends to expand the coverage of the system from the current weapons and aircraft industries to related fields, such as high-tech materials and machine tools, which are convertible into military use. It wants to strengthen a monitoring system in preparation for an increase in international M&As, while maintaining a stance of encouraging investment by foreign countries with a regulation that is more moderate than that of the US, which targets all industrial sectors.

High-tech materials, machine tools

METI will shortly set up a study group consisting of persons representing industrial circles and academia. It wants to compile a report around next June and revise ordinances of related ministries as early as next year, along with the Finance Ministry, with which it has jurisdiction over related laws.

The Foreign Exchange and Foreign Trade Control Law obligates that in the event of a foreign company trying to obtain shares of a Japanese company, it notify in advance that the envisaged takeover of the target company could damage Japan's national security, provided that the target company is a listed company, and its stake in it exceeds 10% . If it is determined that the technologies of the target Japanese company could flow into foreign countries, endangering Japan, the METI minister and the Finance Minister can recommend or order the alteration or suspension of the takeover bid.

European and US governments also regulate direct investment by foreign countries. Moves to strengthen such regulations are also spreading, following the terrorist attacks on the US in 2001. The Japanese regulation is less strict compared with European countries and the US. METI views that it is essential for Japan to strengthen

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its monitoring system in order to fulfill its international responsibility, such as prevention of terrorist attacks.

In the revision, METI will first expand the types of business subject to notification. It will consider the possibility of adding such categories of industry as special steel and high-tech carbon materials, and machine tools used to process those high-tech materials to the list of business types subject to the regulation. Those materials are all convertible for the manufacturing of missiles.

At present, takeovers of operating companies by foreign companies are subject to the notification system, but after the revision, takeovers of holding companies will also become subject to notification. Purchases of shares Japanese companies issue abroad will also be subject to the regulation. The aim is to prevent foreign companies from using loopholes with the diversification of corporate forms and the development of the capital market on a global scale in mind.

METI is also considering strengthening the penalty system. The existing law stipulates that prison terms of no longer than three years or fines of no more than 1 million yen be imposed on companies that fail to observe the notification obligation or violated an order to suspend investment. A plan to extend prison terms to no more than five years has been floated with the aim of boosting the efficacy of the law.

A triangular merger system that allows a foreign company to wholly own a Japanese company using its own stock as the merger consideration will come into effect next May. The growing view is that M&As by foreign companies will increase in Japan. METI will therefore adopt a system that will enable it to carry out detailed checks on security matters.

Investment by foreign companies will be approved if it is determined after screening that there is no concern about the outflow of technology. However, the abuse of the system could hamper free investment. How to secure transparent standards for government recommendations or orders to suspend investment will likely be a future agenda item.

(2) Abductions by North Korea violate human rights: Government urged to hammer out strategy to deal with North in cooperation with other countries

SANKEI (Page 30) (Full)  
December 19, 2006

"North Korea hates to see the abduction issue becoming an international issue," a Foreign Ministry official told the relatives of abduction victims after the talks held between Japan and North Korea in February.

Video testimony by Choi Un-hee, a South Korean actress abducted by North Korea, and Charles Jenkins, the husband of Japanese abductee Hitomi Soga, were shown in an international conference on North Korea's abductions held in Tokyo recently. Their revelations turned the abduction issue into an international problem.

Jenkins said that the wife of another US Army deserter was a Thai citizen abducted by North Korea named Anocha Panjoy. He claimed that she had told him she was grabbed in the summer 1978 in Macau, where

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she was working, and taken by boat (to North Korea). Thai newspapers prominently reported on this verified case, prompting the Thai government to launch an investigation to find out the truth.

Immediately after Jenkins' testimony, an English newspaper in Hong Kong also filed this report: "Two ethnic Chinese women also disappeared in Macao on the same day Anocha was kidnapped." Jenkins said that Anocha had told him, "There were other Asian women" beside her in the ship.

Choi in custody talked with one of the two missing Chinese women, Ms. Hong, in Pyongyang many times. Choi quoted Hong as saying, "I was taken by boat to offshore and then by large ship to North Korea." Her relatives met with Hong in Seoul in March and confirmed that she had been abducted by North Korea.

Jenkins also spoke about a Rumanian abductee. Choi also gave information about victims abducted from Jordan, France, and Malaysia.

In the past, a Lebanese abduction victim who escaped from North Korea referred to victims abducted from France, Holland, and Italy. North Korea is now suspected to have kidnapped citizens from at least 12 countries.

Representatives from the National Association for the Rescuing of Japanese Kidnapped by North Korea and the Association of the Families of Victims Kidnapped by North Korea visited New York last month and provided information about abductions to the Office of the UN. Now that North Korea has continued to decline Japan's proposal for talks on the abduction issue, it is necessary for the Japanese government to learn about the results of investigations conducted by various countries based on such information from Japan and hammer out a strategy to deal with North Korea in cooperation with these countries.

(3) North Korea's kidnapping constitutes violation of human rights: First International conference on abduction issue held in Tokyo

SANKEI (Page 30) (Full)  
December 14, 2006

Such groups as the Association of the Families of Victims Kidnapped by North Korea and the National Association for the Rescuing of Japanese Kidnapped by North Korea held a first international conference on the abduction issue at a Tokyo hotel yesterday. Families of abduction victims and government officials from countries involved, as well responsible UN officials reported on their abduction cases in detail. The participants affirmed the need for the countries concerned to work together in settling the abduction issue.

In a speech at the outset of the conference, Kyoko Nakayama, special advisor to the prime minister (for the Abduction Issue), claimed in a strong tone, "The kidnapping of citizens from a number of countries, including Japan, constitutes a violation of human rights."

In a session to explore ways to resolve the abduction issue, North Korea Freedom Coalition Vice Chairman Suzanne Scholte said, "It probably will be impossible to resolve the abduction issue while the Kim regime remains in power," adding, "We must not yield on to the North until all abduction victims return to their home countries. We

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should call on the US government to take sanctions against the North in order to pursue the responsibility of Kim Jong Il."

Many relatives of abductees from overseas called for Japan's cooperation and stressed the need for cooperation among all the countries concerned. Chairman Choi of the South Korean Association of the Families of Victims Kidnapped by North Korea said: "(In South Korea,) the problem of North Korea's nuclear programs has come into focus, with the abduction issue put on the backburner and about to be forgotten. We hope the issue of South Korean abduction victims will also be discussed in the six-party talks (starting on Dec. 18)." A nephew of Anocha Panjoy, a Thai abduction victim, emphatically said, "We want to know how (their relatives) are living in North Korea," asking for assistance to be offered to the families of abductees in Japan and South Korea.

Sakie Yokota, 70, the mother of Megumi, who was abducted at the age of 13, said: "We want to appeal that there are persons who need help across the world. All parents of the abductees are getting older. Unless a settlement is reached at an early date, reunion will become impossible."

(4) Kasumigaseki confidential: Kantei (Prime Minister's Official Residence) vs. Finance Ministry

BUNGEI SHUNJU (Page 235 &236)  
January 2007

The Finance Ministry has finally taken action after watching carefully moves of the Abe cabinet, which has strong tinge of being antagonistic toward it.

The ministry was surprised at Prime Minister Abe's appointment of Junzo Matoba as deputy chief cabinet secretary, the highest post in the bureaucracy. Matoba is a former Finance Ministry official, who joined the ministry in 1957. Matoba still has hard feelings toward the ministry because he was unable to become administrative vice minister, even though he considered himself as the best candidate among those who had joined the ministry when he did. The rumor is that Matoba has no intention to work with the Finance Ministry as one of their own.

Osaka University Prof. Masaaki Honma, who buried the idea of a sales tax, was appointed as chairman of the government's Tax Commission under the prodding of Chief Cabinet Secretary Yasuhisa Shiozaki. The appointment of Honma shocked the ministry. With his appointment, the ministry was forced to go on the defensive soon after the Abe cabinet was formed. In an attempt to recover the government's confidence in it, the ministry decided to cut new government bond issues in a supplementary budget for fiscal 2006 because of an expected increase in tax revenues (in fiscal 2007).

The method of slashing government bond issuances for a supplementary budget has been used from long ago. The reasons for cutting new government bonds -- to rebuild government finance, to reduce annual expenditures, or to use surplus funds for an additional fiscal stimulus -- are deeply related to the image a government wants to project at the time. In short, the Finance Ministry suddenly presented such a policy that could determine the fate of the Abe government. The ministry this time around had its collective eye on both a cut in expenditures and a policy emphasis on economic growth.

Assistant Deputy Chief Cabinet Secretary Atsuro Saka, who joined the ministry in 1970, and Kazuho Tanaka, secretary to the prime minister, entered the ministry in 1979, took the initiative in compiling the supplementary budget. It was easy for them to predict that tax revenues would top 50 trillion yen. Saka earlier took the lead in coming up with measures for the "second chance" policy under then Chief Cabinet Secretary Abe. Tanaka served in such posts as budget examiner in charge of the Ministry of Health, Labor and Welfare, as well as Secretariat Division director, and he has his own channels of communication to the ministry's mainstream.

As a result, they compiled a typical Finance Ministry-style supplementary budget. Expecting a further increase in tax revenues, they plan to bring the policy slogan, "emphasis on economic growth," to the fore in compiling the budget for fiscal 2007.

Over the past decade, when the Finance Ministry drafted budgets under the Hashimoto, Obuchi and Koizumi governments, respectively, it placed emphasis on fiscal reconstruction, cuts in expenditures, or fiscal stimulus by combining tax revenues, expenditures, and government bond issuances. Whenever Finance Ministry officials presented the indices for government bond issuances, politicians who don't know about the system never failed to fall into ministry officials' trap. The question is whether the Abe government, which plans to stand up against the Finance Ministry, will follow in former governments' steps or whether it will be able to block the ministry's offensive, seeing through the bond issuance mechanism.

SCHIEFFER